

**REPORT OF THE AUDIT OF THE
WAYNE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WAYNE COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Wayne County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Wayne County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$ 1,785,973 as of June 30, 2004, which included unrestricted net assets in its governmental activities of \$557,980 with total net assets of \$737,753. The enterprise fund had total net cash and cash equivalents of \$83,276 with total net assets of \$1,048,220. The fiscal court had total debt principal as of June 30, 2004 of \$12,162,781 with \$400,921 due within the next year.

Report Comments

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits At All Times
- The Wayne County Airport Board Should Strengthen Internal Controls

Deposits:

As of June 30, 2004, \$95,455 of the fiscal court's deposits were not insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Bruce Ramsey, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wayne County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Wayne County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
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The required supplementary information, the management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2005 on our consideration of Wayne County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits At All Times
- The Wayne County Airport Board Should Strengthen Internal Controls

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 20, 2005

WAYNE COUNTY OFFICIALS

For The Year Ended June 30, 2004

Bruce Ramsey	County Judge/Executive
Jerry Sloan	Magistrate
Jesse Jones	Magistrate
Ricky Worley	Magistrate
Wade Upchurch	Magistrate

Other Elected Officials:

Thomas Simmons	County Attorney
Ray C. Upchurch	Jailer
E. Carol Jones	County Clerk
Richard Morrow	Circuit Court Clerk
James L. Hill	Sheriff
Bobby Upchurch	Property Valuation Administrator
Marvin Hicks	Coroner

Appointed Personnel:

Barbara Gehring	County Treasurer
Barbara Hagan	Occupational Tax Collector
Peggy Edwards	Finance Officer
Sue Thompson	Payroll Officer

BRUCE RAMSEY
County Judge Executive

PEGGY L. EDWARDS
Deputy Judge

SUE THOMPSON
Administrative Assistant



Office of the Judge Executive
WAYNE COUNTY
COURT HOUSE
Post Office Box 439
Monticello, Kentucky 42633
(606) 348-4241
Fax (606) 348-6647

JERRY SLOAN
Magistrate District 1

Jesse Jones
Magistrate District 2

RICKY WORLEY
Magistrate District 3

WADE UPCHURCH
Magistrate District 4

Management's Discussion and Analysis **June 30, 2004**

The financial management of Wayne County, Kentucky offers readers of Wayne County's financial statements this narrative overview and analysis of the financial activities of Wayne County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Wayne County had net assets of \$1,785,973 as of June 30, 2004. The Fiscal Court had unrestricted net assets of \$557,980 in its governmental funds as of June 30, 2004. In its Enterprise Funds (Jail Canteen and Airport), cash and cash equivalents were \$83,276 with total assets of \$1,123,220. Total debt principal as of June 30, 2004 was \$12,162,781 with \$400,921 due within one year.
- At the close of the current fiscal year, Wayne County's balance sheet reported a fund balance of \$2,582,887. Of this amount, \$2,498,259 is available for spending at the government's discretion (unreserved fund balance).
- Wayne County's total indebtedness at the close of fiscal year June 30, 2004 was \$12,162,781 of which \$11,761,860 is long-term debt (due after 1 year) and \$400,921 is short-term debt (to be paid within 1 year). Debt additions were \$388,900 and debt reductions were \$352,019 for a net increase of \$36,881 during the year. However, Wayne County has purchased two (2) ambulances at a cost of \$150,900 and one (1) fire truck at a cost of \$163,000 during the year.
- In addition, Wayne County purchased land and two buildings for the Powersburg and Stop voting precinct at a cost of \$12,051; completed \$187,157 in road resurfacing and reconstruction; purchased \$31,887 worth of Self Contained Breathing Apparatuses equipment for the Monticello Fire Department; purchased a truck for \$19,500; all without incurring additional debt for these items.
- Wayne County received an Area Development Fund Grant in the amount of \$9,678 to purchase a GMC Suburban for the Wayne County Emergency Medical Service (EMS). Wayne County committed \$5,872 to this project and expended the full amount in this fiscal year. Reimbursement will be received in FY 05. Additionally Wayne County received \$11,133 known as Senate Bill 66 monies, this money will carry-over to fiscal year 05 for use in the purchase of an additional ambulance. Litter abatement monies were received in the amount of \$28,303, and \$15,523 was expended within this fiscal year. \$60,000 was received for emergency communications equipment through Homeland Security. \$17,438 was expended with \$42,562 carried over to FY 05. Eastern KY PRIDE awarded the County \$50,000 for open dump clean-up \$50,115 was expended for this project. \$2,960 was received for Waste Tire Removal. The money was expended in the previous fiscal year. A grant for body-armor for \$1,410 was received and expended for the Sheriff's Office. A state grant for dog control in the amount of \$987 was received and

**Wayne County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

expended. American Woodmark donated \$2,000 to the Wayne County EMS for uniforms; the full amount was expended. FEMA funds of \$22,598 were reimbursed for funds expended in the previous fiscal year. \$120,000 was received and expended through the Rural Secondary Road Program. A grant for the preparation of the Emergency Operations Plan for \$7,707 was received and expended. The Monticello Woman's Club donated \$1,920 for batteries for warning sirens in the Emergency Management Fund. This money will carry-over to FY 05.

- The City of Monticello and the Wayne County Fiscal Court purchased the local cable company in early 2003. No bonds have been issued. The City of Monticello has done interim financing through Monticello Banking Co.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Wayne County's basic financial statements. Wayne County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major sources, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Wayne County's finances, in a manner similar to private-sector business.

The Statement of Net Assets presents information on all of Wayne County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Wayne County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Wayne County's governmental activities include general governmental, protection to persons and property, general health and sanitation, social services, recreation and culture, transportation facilities and services, roads, airports, interest on long and short-term debt, and capital projects. The county has two business-type activities – the operation of a jail canteen and the Wayne County Airport Board.

Wayne County
Management's Discussion and Analysis
June 30, 2004
(Continued)

The government-wide financial statements include not only Wayne County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the county. Wayne County has two such entities, the Wayne County Public Properties Corporation and the Wayne County Airport Board. They are known as blended component units.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Wayne County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Wayne County can be divided into two broad categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wayne County maintains nine individual governmental funds, two of which are maintained by the Wayne County Public Properties Corporation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the 1) General Fund, 2) Road and Bridge Fund, 3) Jail Fund, 4) Justice Center Project Fund, 5) Detention Facility Project Fund, 6) Local Government Economic Assistance Fund, 7) Homeland Security Fund, 8) Emergency Management Fund, and 9) the Timberland Tax Fund. The Wayne County Public Properties Corporation maintains the accounts for the Detention Facility Project Fund and the Justice Center Project Fund.

Wayne County adopts an annual appropriated budget for its major governmental funds except the Justice Center Project Fund and Detention Facility Project Fund which are not required to be budgeted. A budgetary comparison statement has been provided for each of the other funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The propriety fund financial statements provide separate information for the Jail Canteen Fund and Airport Board Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Wayne County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Wayne County's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2004	2003	2004	2003	2004
Assets						
Current and other assets	\$ 5,665,749	\$ 2,582,887	\$ 49,521	\$ 83,276	\$ 5,715,270	\$ 2,666,163
Capital assets	6,556,821	10,242,647	930,023	1,039,944	7,486,844	11,282,591
Total Assets	\$ 12,222,570	\$ 12,825,534	\$ 979,544	\$ 1,123,220	\$ 13,202,114	\$ 13,948,754
Liabilities						
Current and other liabilities	\$ 352,019	\$ 393,421	\$	\$ 7,500	\$ 352,019	\$ 400,921
Long-term liabilities	11,773,881	11,694,360		67,500	11,773,881	11,761,860
Total Liabilities	\$ 12,125,900	\$ 12,087,781	\$ 0	\$ 75,000	\$ 12,125,900	\$ 12,162,781
Net Assets						
Invested in capital assets,						
Net of Related Debt	\$ (5,569,079)	\$ (1,845,134)	\$ 930,023	\$ 964,944	\$ (4,639,056)	\$ (880,190)
Restricted For:						
Capital Projects	3,532,209	1,566,897			3,532,209	1,566,897
Debt Service	361,128	391,535			361,128	391,535
Grant Activities		66,475				66,475
Unrestricted	1,772,412	557,980	49,521	83,276	1,821,933	641,256
Total Net Assets	\$ 96,670	\$ 737,753	\$ 979,544	\$ 1,048,220	\$ 1,076,214	\$ 1,785,973

Changes in Net Assets.

Governmental Activities. Wayne County's net assets increase by \$641,083 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash decreased \$3,082,862 due primarily to expenditures from the Justice Center Project Fund.
- Investment in capital assets, net of related debt increased \$3,723,945 primarily due to construction of the Justice Center, equipment purchases, and reductions in debt.
- Current and long-term liabilities decreased by \$38,119.
- Revenues were \$5,494,687 as reflected in the Statement of Activities.
- Expenditures totaled \$4,849,761 as reflected in the Statement of Activities.

Business-type Activities. Wayne County's net assets increase by \$68,676 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash increase by \$33,755.
- Investment in capital and infrastructure net of related debt increased \$34,921.

**Wayne County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds.

As of the end of the June 30, 2004 fiscal year, the combined ending fund balance of County governmental funds was \$2,582,887. Approximately 96% (\$2,498,259) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$84,628) is reserved to indicate that it is not available for new spending because it is committed.

As noted earlier, the county has nine governmental funds. These are 1) General Fund, 2) Road and Bridge Fund, 3) Jail Fund, 4) Justice Center Project Fund, 5) Detention Facility Project Fund, 6) Local Government Economic Assistance Fund, 7) Homeland Security Fund, 8) Emergency Management Fund, and 9) the Timberland Fund.

1. The General Fund is the chief operating fund of Wayne County. At the end of the June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$314,089, while total fund balance was \$342,805. The county received \$1,154,355 in Occupational tax revenues. This accounts for approximately 38% of the general fund revenues. \$396,869 was received from Insurance Premium Tax and accounts for approximately 13% of the county's general fund revenues. \$427,051 was received from real and personal property taxes and accounts for approximately 14% of the county's General Fund revenues. Various other taxes, service fees, and miscellaneous revenues make up the remaining 35% of revenues. This is the first full year of collecting Occupational Tax revenues. There was a 2% decrease over the previous year Insurance Premium Tax Collections. The Wayne County Fiscal Court acquired the local ambulance service in December 2003. FY 2005 will be the first full fiscal year for the Wayne County Emergency Medical Services, which the county took ownership of in December of 2003. The Wayne County Animal Shelter moved to the Tri-County Animal Shelter in October 2003.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$37,957 in fund balance at June 30, 2004. The fund balance at the end of the previous year was \$10,401. The fiscal year 2004 expenditures for road projects were \$70,934 for contracted road work; \$370,102 for gravel; \$35,938 for bridge materials; and \$234,193 for road maintenance materials (including blacktop).
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance on June 30, 2004 of \$181,303, of which \$138,911 was unreserved. That is an increase in fund balance of \$156,636 over the previous fiscal year end. The Jail Fund received \$1,053,095 for intergovernmental revenues, primarily for housing prisoners. The county contributed \$570,646 from its General Fund for the operation of the jail. A booking fee resulted in \$45,856 of income. There was a state decrease of \$1 per state prisoner per day.
4. The Public Properties Corporation Justice Center Bond Fund had an ending fund balance of \$1,564,977 at the end of the fiscal year. Its activities are restricted to construction activities on the Justice Center Project issue. Outstanding debt on the Justice Center Project is \$10,878,633 consisting of \$7,395,000 in principal and \$3,483,633 of interest. The debt will retire in 2024. This project is 100% Administrative Office of the Courts.
5. The Public Properties Corporation Detention Facility Project Fund had an ending fund balance of \$391,535 at the end of the fiscal year. Its activities are restricted to debt reduction on the Detention Facility Bond issue. Outstanding debt on the Detention Facility is \$7,543,335 consisting of \$4,360,000 in principal and \$3,183,335 of interest. The debt will retire in 2026.
6. The Local Government Economic Assistance Fund had a fund balance of \$8,250, an increase of \$8,068 over the previous fiscal year.

**Wayne County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

7. The Homeland Security Fund, which is a new fund for this fiscal year, had a fund balance of 42,562. The county received \$12,972 in federal funds for radio equipment.
8. The Emergency Management Fund had a fund balance of \$4,392, an increase of \$4,137 over the previous fiscal year.
9. The Timberland Tax Fund had a fund balance of \$9,106. This fund is used to account for taxes collected by the Sheriff, which are due to the Kentucky State Treasurer.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Wayne County has two enterprise funds, the Jail Canteen Fund and the Airport Board Fund. The Jail Canteen Fund had net assets of \$50,300 as of June 30, 2004 and a cash balance of \$38,579. The Airport had net assets of \$997,920 as of June 30, 2004 and a cash balance of \$44,697.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year increasing the budget amount by \$949,804. Budget amendments were made to various expenditures due to borrowed money, ambulance service receipts, grants, surplus cash carried forward and an increase in actual tax revenue collections as opposed to projected collections.

Actual operating revenues were \$74,195 less than amount originally budgeted by the Fiscal Court. This decrease was primarily due to charges for services and miscellaneous revenues.

Actual operating expenditures were \$162,806 less than amount originally budgeted by the Fiscal Court. This decrease was due primarily to general government, general health and sanitation and administration expenses.

Capital Assets and Debt Administration.

Capital Assets. Wayne County's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$11,282,590 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Major capital asset events during the 2004 fiscal year included the construction in progress of the Justice Center and a new airport hangar, purchase of land for the Powersburg and Stop voting precinct, A radio system for EMS, the purchase of 2 new ambulances, a new fire truck, a used GMC Suburban for the Emergency Medical Service, blacktop and mowers at the Jail.

Additional information on the County's capital assets can be found in Note 3 of this report.

Wayne County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Table 2
Wayne County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Vehicles & Equip.	339,893	624,685	5,060	3,815	344,953	628,500
Other Equip.	111,169	159,645	5,767	11,721	116,936	171,366
Land	920,035	925,035	90,312	90,312	1,010,347	1,015,347
Buildings	3,858,531	3,810,238	713,061	697,332	4,571,592	4,507,570
Construction in Progress	1,327,194	4,543,373	115,823	236,763	1,443,017	4,780,136
Infrastructure		179,671			-	179,671
Total Net Capital Assets	6,556,822	10,242,647	930,023	1,039,943	7,486,845	11,282,590

Long-Term Debt. At the end of the 2004 fiscal year, Wayne County had total long-term debt outstanding of \$12,162,781. The amount of this debt due within the next year is \$400,921 and \$11,761,860 is due in subsequent years. This debt is described in note 4 of the notes to the financial statements.

Short-Term Debt. The county had no short-term debt in fiscal year 2004.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget.

- The 2005 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- The Justice Center should be completed during this fiscal year impacting the budget on receipts from AOC.

Request for Information.

This financial report is designed to provide a general overview of Wayne County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided here or requests for additional financial information should be addressed to the Wayne County Treasurer, P.O. Box 439, Monticello, KY 42633.

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WAYNE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

WAYNE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,582,887	\$ 83,276	\$ 2,666,163
Total Current Assets	<u>2,582,887</u>	<u>83,276</u>	<u>2,666,163</u>
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	925,035	90,312	1,015,347
Construction In Progress	4,543,373	236,763	4,780,136
Buildings	3,810,239	697,333	4,507,572
Other Equipment	159,645	11,721	171,366
Vehicles and Equipment	624,684	3,815	628,499
Infrastructure Assets - Net of Depreciation	<u>179,671</u>	<u></u>	<u>179,671</u>
Total Noncurrent Assets	<u>10,242,647</u>	<u>1,039,944</u>	<u>11,282,591</u>
Total Assets	<u>12,825,534</u>	<u>1,123,220</u>	<u>13,948,754</u>
LIABILITIES			
Current Liabilities:			
State Loan		7,500	7,500
Revenue Bonds	365,000		365,000
Financing Obligations	28,421		28,421
Total Current Liabilities	<u>393,421</u>	<u>7,500</u>	<u>400,921</u>
Noncurrent Liabilities:			
State Loan		67,500	67,500
Revenue Bonds	11,390,000		11,390,000
Financing Obligations	304,360		304,360
Total Noncurrent Liabilities	<u>11,694,360</u>	<u>67,500</u>	<u>11,761,860</u>
Total Liabilities	<u>12,087,781</u>	<u>75,000</u>	<u>12,162,781</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(1,845,134)	964,944	(880,190)
Restricted For:			
Capital Projects	1,566,897		1,566,897
Debt Service	391,535		391,535
Grant Activities	66,475		66,475
Unrestricted	<u>557,980</u>	<u>83,276</u>	<u>641,256</u>
Total Net Assets	<u>\$ 737,753</u>	<u>\$ 1,048,220</u>	<u>\$ 1,785,973</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WAYNE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,458,691	\$ 14,670	\$ 139,955	\$
Protection to Persons and Property	1,626,568	1,072,277	243,354	120,000
General Health and Sanitation	185,490	220	90,848	
Social Services	42,231		35,320	
Recreation and Culture	50,948			
Transportation Facilities and Services	33,484			
Roads	848,054		1,009,333	
Airports	4,288			
Interest on Long and Short Term Debt	597,085			
Capital Projects	2,922			
Total Governmental Activities	4,849,761	1,087,167	1,518,810	120,000
Business-type Activities:				
Airport Board	104,765	52,752		93,090
Jail Canteen	231,359	248,737		
Total Business-type Activities	336,124	301,489		93,090
Total Primary Government	\$ 5,185,885	\$ 1,388,656	\$ 1,518,810	\$ 213,090

General Revenues:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
In Lieu Of Tax
Other Taxes
Excess Fees
Commission and Royalties
Reimbursements
Miscellaneous Revenues
Accrued Interest Received

Transfers

Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (Restated)
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,304,066)	\$	\$ (1,304,066)
(190,937)		(190,937)
(94,422)		(94,422)
(6,911)		(6,911)
(50,948)		(50,948)
(33,484)		(33,484)
161,279		161,279
(4,288)		(4,288)
(597,085)		(597,085)
(2,922)		(2,922)
<u>(2,123,784)</u>		<u>(2,123,784)</u>
	41,077	41,077
	17,378	17,378
	<u>58,455</u>	<u>58,455</u>
<u>\$ (2,123,784)</u>	<u>\$ 58,455</u>	<u>\$ (2,065,329)</u>
\$ 386,673	\$	\$ 386,673
48,085		48,085
80,364		80,364
1,154,355		1,154,355
89,691		89,691
673,687		673,687
170,821		170,821
31,337		31,337
40,220		40,220
22,282	6,165	28,447
71,195	214	71,409
(3,843)	3,843	
<u>2,764,867</u>	<u>10,222</u>	<u>2,775,089</u>
641,083	68,677	709,760
96,670	979,543	1,076,213
<u>\$ 737,753</u>	<u>\$ 1,048,220</u>	<u>\$ 1,785,973</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

WAYNE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	Justice Center Project Fund
ASSETS				
Cash and Cash Equivalents	\$ 342,805	\$ 37,957	\$ 181,303	\$ 1,564,977
Total Assets	<u>\$ 342,805</u>	<u>\$ 37,957</u>	<u>\$ 181,303</u>	<u>\$ 1,564,977</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 28,716	\$ 13,520	\$ 42,392	\$
Unreserved:				
General Fund	314,089			
Special Revenue Funds		24,437	138,911	
Capital Project Fund				1,564,977
Debt Service Fund				
Total Fund Balances	<u>\$ 342,805</u>	<u>\$ 37,957</u>	<u>\$ 181,303</u>	<u>\$ 1,564,977</u>

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Detention Facility Project Fund	Non- Major Governmental Funds	Total Governmental Funds
<u>\$ 391,535</u>	<u>\$ 64,310</u>	<u>\$ 2,582,887</u>
<u>\$ 391,535</u>	<u>\$ 64,310</u>	<u>\$ 2,582,887</u>
\$	\$	\$ 84,628
		314,089
	64,310	227,658
		1,564,977
<u>391,535</u>	<u></u>	<u>391,535</u>
<u>\$ 391,535</u>	<u>\$ 64,310</u>	<u>\$ 2,582,887</u>

Reconciliation of the balance sheet-governmental funds to the Statement of Net Assets:

Total Fund Balances	\$ 2,582,887
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	11,291,964
Accumulated Depreciation	(1,049,317)
Liabilities:	
Due in More Than One Year - Bonds, Loans, and Other Principal Payments	(11,619,360)
Due Within One Year - Bonds, Loans, and Other Principal Payments	<u>(393,421)</u>
Net Assets of Governmental Activities	<u>\$ 812,753</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WAYNE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>
REVENUES				
Taxes	\$ 2,218,710	\$	\$	\$
In Lieu Tax Payments	208,567	650		
Excess Fees	170,822			
Licenses and Permits	13,412			
Intergovernmental	190,824	1,151,930	1,053,095	
Charges for Services	154,430		46,244	
Miscellaneous	69,030	45	41,587	
Interest	1,853	3,783	531	34,556
Total Revenues	<u>3,027,648</u>	<u>1,156,408</u>	<u>1,141,457</u>	<u>34,556</u>
EXPENDITURES				
General Government	683,858			3,216,179
Protection to Persons and Property	1,031,959	2,397	862,450	
General Health and Sanitation	182,243			
Social Services	42,231			
Recreation and Culture	50,948			
Transportation Facilities and Services		33,484		
Roads		1,042,631		
Airports	4,288			
Debt Service			225,088	350,586
Capital Projects	2,922			
Administration	531,340	90,340	125,275	
Total Expenditures	<u>2,529,789</u>	<u>1,168,852</u>	<u>1,212,813</u>	<u>3,566,765</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>497,859</u>	<u>(12,444)</u>	<u>(71,356)</u>	<u>(3,532,209)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	313,900			
Transfers from Other Funds		40,000	574,303	
Transfers to Other Funds	(632,873)		(346,311)	
Total Other Financing Sources (Uses)	<u>(318,973)</u>	<u>40,000</u>	<u>227,992</u>	
Net Change in Fund Balances	178,886	27,556	156,636	(3,532,209)
Fund Balances - Beginning	163,919	10,401	24,667	5,097,186
Fund Balances - Ending	<u>\$ 342,805</u>	<u>\$ 37,957</u>	<u>\$ 181,303</u>	<u>\$ 1,564,977</u>

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Detention Facility Project Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 4,928	\$ 2,223,638
		209,217
		170,822
		13,412
	89,346	2,485,195
		200,674
	9,872	120,534
30,407	65	71,195
30,407	104,211	5,494,687
	21,234	3,921,271
	38,146	1,934,952
		182,243
		42,231
		50,948
		33,484
		1,042,631
		4,288
346,311		921,985
		2,922
	3,696	750,651
346,311	63,076	8,887,606
(315,904)	41,135	(3,392,919)
		313,900
346,311	14,727	975,341
		(979,184)
346,311	14,727	310,057
30,407	55,862	(3,082,862)
361,128	8,448	5,665,749
\$ 391,535	\$ 64,310	\$ 2,582,887

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

**WAYNE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (3,082,862)
--	----------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	3,829,813
Depreciation Expense	(143,987)

The issuance of long-term debt provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.	(313,900)
---	-----------

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Payment of Short Term Debt	219,900
Payment to Refund Series 1999 Bonds	105,000
Financing Obligations	27,119

Change in Net Assets of Governmental Activities	\$ 641,083
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WAYNE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

WAYNE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	Jail Canteen Fund	Airport Board Fund	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 38,579	\$ 44,697	\$ 83,276
Total Current Assets	<u>38,579</u>	<u>44,697</u>	<u>83,276</u>
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements		90,312	90,312
Construction in Progress		236,763	236,763
Vehicles		3,815	3,815
Buildings		697,333	697,333
Other Equipment	11,721		11,721
Total Noncurrent Assets	<u>11,721</u>	<u>1,028,223</u>	<u>1,039,944</u>
Total Assets	<u>50,300</u>	<u>1,072,920</u>	<u>1,123,220</u>
LIABILITIES			
Current Liabilities:			
State Loan		7,500	7,500
Total Current Liabilities		<u>7,500</u>	<u>7,500</u>
Noncurrent Liabilities:			
State Loan		67,500	67,500
Total Noncurrent Liabilities		<u>67,500</u>	<u>67,500</u>
Total Liabilities		<u>75,000</u>	<u>75,000</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,721	960,723	972,444
Unrestricted	38,579	44,697	83,276
Total Net Assets	<u>\$ 50,300</u>	<u>\$ 1,005,420</u>	<u>\$ 1,055,720</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WAYNE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund		
	Jail Canteen Fund	Airport Board Fund	Total
Operating Revenues			
Canteen Receipts	\$ 248,737	\$	\$ 248,737
Airport Receipts		52,753	52,753
Total Operating Revenues	248,737	52,753	301,490
Operating Expenses			
Cost of Sales	(167,132)	(42,628)	(209,760)
Educational, Recreational, Personnel Costs	(34,838)		(34,838)
Depreciation	(1,346)	(16,973)	(18,319)
Miscellaneous	(1,576)	(45,164)	(46,740)
Total Operating Expenses	(204,892)	(104,765)	(309,657)
Operating Income (Loss)	43,845	(52,012)	(8,167)
Nonoperating Revenues (Expenses)			
Interest Income		214	214
Other Receipts		93,090	93,090
Transfers In		7,500	7,500
Transfers Out	(3,657)		(3,657)
Inmate Pay From State	6,165		6,165
Inmate Refunds	(26,469)		(26,469)
Total Nonoperating Revenues (Expenses)	(23,961)	100,804	76,843
Change In Net Assets	19,884	48,792	68,676
Total Net Assets - Beginning	30,416	949,128	979,544
Total Net Assets - Ending	\$ 50,300	\$ 997,920	1,048,220

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WAYNE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund		
	Jail Canteen Fund	Airport	Total
Cash Flows From Operating Activities			
Receipts From Customers	\$ 248,737	\$ 52,753	\$ 301,490
Cost of Sales	(167,132)	(42,628)	(209,760)
Educational, Recreational, and Personnel Costs	(34,838)		(34,838)
Miscellaneous Expenses	(1,576)	(45,164)	(46,740)
Net Cash Provided (Used) By Operating Activities	45,191	(35,039)	10,152
Cash Flows From Noncapital Financing Activities			
Inmate Pay From State	6,165		6,165
Transfers In		7,500	7,500
Transfers Out	(3,657)		(3,657)
Inmate Refunds on Accounts	(26,469)		(26,469)
Net Cash Provided (Used) By Noncapital Financing Activities	(23,961)	7,500	(16,461)
Cash Flows From Capital and Related Financing Activities			
State and Federal Monies		93,090	93,090
Borrowed Money		75,000	75,000
Capital Outlay	(7,300)	(120,940)	(128,240)
Net Cash Provided (Used) By Noncapital Financing Activities	(7,300)	47,150	39,850
Cash Flows From Investing Activities			
Interest Earned		214	214
Net Cash Provided By Investing Activities		214	214
Net Increase in Cash and Cash Equivalents	13,930	19,825	33,755
Cash and Cash Equivalents - July 1, 2003	24,649	24,872	49,521
Cash and Cash Equivalents - June 30, 2004	\$ 38,579	\$ 44,697	\$ 83,276

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

	Business-Type Activities - Enterprise Fund		
	<hr/>		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund	Airport	Total
	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	\$ 43,845	\$ (52,012)	\$ (8,167)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	1,346	16,973	18,319
	<hr/>	<hr/>	<hr/>
Total Cash Provided (Used) By Operating Activities	<u>\$ 45,191</u>	<u>\$ (35,039)</u>	<u>\$ 10,152</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county prepares its financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Wayne County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on the organizations. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Wayne County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Judicial Center Project Fund and Detention Facility Project Fund.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Wayne County Airport Board

The Wayne County Airport Board (the Board) was established to oversee the operations of the Wayne County Airport. The Board does not have separate corporate powers from those of the Fiscal Court. Therefore, management must include the Board as a component unit and the Board's financial activity has been blended with that of the Fiscal Court.

C. Wayne County Elected Officials Not Part Of Wayne County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Wayne County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Wayne County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

Detention Facility Project Fund - This fund accounts for the accumulation of resources for the payment of long-term debt principal and interest for the Wayne County Detention Facility and is a part of the Public Properties Corporation. The Public Properties Corporation issued debt to build a detention facility and has entered into a contract, lease, and option with the County. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Justice Center Project Fund – This fund accounts for the funds used for construction of a new Justice Center and is a part of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build the Justice Center and has entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The government also has the following non-major governmental funds: Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, and Timberland Tax Fund.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 1, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Special Revenue Funds:

The Road Fund, Jail Fund, and Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, and Timberland Tax Fund are special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Public Properties Justice Center Project Fund is a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Public Properties Detention Facility Project Fund is a debt service fund. Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales and services in the Jail Canteen Fund and the Airport Board Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Airport Board Fund - This fund is used to account for the operations of the Wayne County Airport. Operating revenues of this fund are derived mainly from fuel and water sales and the rental of hangar space at the airport. Operating expenses consist mainly of the cost of sales, office expenses and depreciation.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, long - term loan agreements, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Corporation Fund, the Jail Canteen Fund, or the Airport Board Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Kentucky Governor's Office for Local Development. Expenditures may not exceed budgeted appropriations at the activity level.

J. Joint Venture

A legal entity or organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants, as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Tri-County Animal Control is considered as a joint venture with Clinton and Cumberland County Fiscal Courts.

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$95,455 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2004.

	<u>Bank Balance</u>
FDIC Insured	\$ 281,045
Collateralized with securities held by pledging depository institution in the county official's name	349,327
Uncollateralized and uninsured	<u>95,455</u>
Total	<u><u>\$ 725,827</u></u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 920,035	\$ 5,000	\$	\$ 925,035
Construction In Progress	1,327,194	3,216,179		4,543,373
Total Capital Assets Not Being Depreciated	2,247,229	3,221,179		5,468,408
Capital Assets, Being Depreciated:				
Buildings	4,221,730			4,221,730
Other Equipment	169,825	67,357		237,182
Vehicles and Equipment	823,367	354,120		1,177,487
Infrastructure		187,157		187,157
Total Capital Assets Being Depreciated	5,214,922	608,634		5,823,556
Less Accumulated Depreciation For:				
Buildings	(363,199)	(48,292)		(411,491)
Other Equipment	(58,657)	(18,880)		(77,537)
Vehicles and Equipment	(483,474)	(69,329)		(552,803)
Infrastructure		(7,486)		(7,486)
Total Accumulated Depreciation	(905,330)	(143,987)		(1,049,317)
Total Capital Assets, Being Depreciated, Net	4,309,592	464,647		4,774,239
Government Activities Capital Assets, Net	\$ 6,556,821	\$ 3,685,826	\$ 0	\$ 10,242,647

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 90,312	\$ 0	\$ 0	\$ 90,312
Construction in Progress	115,823	120,940		236,763
Total Capital Assets Not Being Depreciated	206,135	120,940		327,075
Capital Assets, Being Depreciated:				
Buildings	925,189			925,189
Other Equipment	6,268	7,300		13,568
Vehicles and Equipment	9,500			9,500
Total Capital Assets Being Depreciated	940,957	7,300		948,257
Less Accumulated Depreciation For:				
Buildings	(212,128)	(15,728)		(227,856)
Other Equipment	(502)	(1,346)		(1,848)
Vehicles and Equipment	(4,440)	(1,245)		(5,685)
Total Accumulated Depreciation	(217,070)	(18,319)		(235,389)
Total Capital Assets, Being Depreciated, Net	723,887	(11,019)		712,868
Business-type Activities Capital Assets, Net	\$ 930,022	\$ 109,921	\$ 0	1,039,943

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 19,943
Protection to Persons and Property	100,360
General Health and Sanitation	3,247
Roads, Including Depreciation of General Infrastructure Assets	<u>20,437</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 143,987</u>
<u>Business-type Activities</u>	
Jail Canteen	\$ 1,346
Airport	<u>16,973</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 18,319</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt

A. Detention Facility

On November 10, 1999, the Public Properties Corporation issued \$4,665,000 of First Mortgage Revenue Bonds, Series 1999, for the construction of the Wayne County Detention Facility. The bonds have various interest rates from 4.75% to 5.70%. Interest is payable each May 1 and November 1, commencing May 1, 2000. Principal is payable each November 1, commencing November 1, 2001. Revenue bonds outstanding at June 30, 2004, were \$4,360,000. Future debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2005	\$ 235,943	\$ 115,000
2006	230,068	120,000
2007	223,943	125,000
2008	217,568	130,000
2009	211,068	130,000
2010-2014	943,594	770,000
2015-2019	703,636	1,000,000
2020-2024	380,322	1,325,000
2025-2026	37,193	645,000
Totals	<u>\$ 3,183,335</u>	<u>\$ 4,360,000</u>

B. Justice Center

On January 1, 2003, the Public Properties Corporation issued \$7,395,000 of First Mortgage Revenue Bonds, Series 2003, for the construction of the Wayne County Justice Center. The bonds have various interest rates from 3.50% to 4.25%. Interest is payable each March 1 and September 1, commencing September 1, 2003. Principal is payable each September 1, commencing September 1, 2004. Revenue bonds outstanding at June 30, 2004, were \$7,395,000. Future debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2005	\$ 296,127	\$ 250,000
2006	287,202	260,000
2007	277,684	265,000
2008	267,559	275,000
2009	256,603	290,000
2010-2014	1,096,712	1,625,000
2015-2019	733,677	1,985,000
2020-2024	268,069	2,445,000
Totals	<u>\$ 3,483,633</u>	<u>\$ 7,395,000</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

C. Voting Machines

On June 27, 1997, the Wayne County Fiscal Court entered into a \$100,000 agreement with Kentucky Association of Counties Leasing Trust Program for the acquisition of voting machines. Terms of the agreement stipulate a ten-year repayment schedule, with variable monthly interest payments and variable annual principal payments ending on January 20, 2007. As of June 30, 2004, the principal balance remaining was \$35,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 1,818	\$ 11,000
2006	1,136	12,000
2007	418	12,000
Totals	<u>\$ 3,372</u>	<u>\$ 35,000</u>

D. Fire Pumper

On April 5, 2004, the Wayne County Fiscal Court entered into a \$163,000 agreement with Kentucky Association of Counties Leasing Trust Program for the acquisition of a Fire Pumper. Terms of the agreement stipulate a five-year repayment schedule, with variable interest payments and variable annual principal payments ending on April 20, 2009. As of June 30, 2004, the principal balance remaining was \$160,564. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 5,163	\$ 17,420
2006	4,516	23,403
2007	3,644	31,437
2008	2,479	42,230
2009	887	46,074
Totals	<u>\$ 16,689</u>	<u>\$ 160,564</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

E. Ambulances

On December 22, 2003, the Wayne County Fiscal Court entered into a \$150,900 agreement with Kansas State Bank of Manhattan for the acquisition of two 2003 McCoy Miller Type I Ambulances. Terms stipulated a five-year repayment schedule of twenty (20) quarterly payments through December 22, 2008, at one percent interest. As of June 30, 2004, the principal balance remaining was \$137,217. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 5,436	\$ 28,258
2006	4,204	29,489
2007	2,919	30,775
2008	1,577	32,116
2009	<u>267</u>	<u>16,579</u>
Totals	<u>\$ 14,403</u>	<u>\$ 137,217</u>

F. Airport Loan

On October 20, 2003, the Airport Board, with approval from the Wayne County Fiscal Court entered into a \$75,000 loan agreement with the Kentucky Transportation Cabinet for the improvement of the airport. Terms of the agreement stipulate a ten-year repayment schedule with interest of two percent. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 1,500	\$ 7,500
2006	1,350	7,500
2007	1,200	7,500
2008	1,050	7,500
2009	900	7,500
2010-2014	<u>2,250</u>	<u>37,500</u>
Totals	<u>\$ 8,250</u>	<u>\$ 75,000</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$11,860,000	\$	\$ 105,000	\$11,755,000	\$ 365,000
Financing Obligations	46,000	313,900	27,119	332,781	28,421
Governmental Activities					
Long-term Liabilities	<u>\$ 11,906,000</u>	<u>\$ 313,900</u>	<u>\$ 132,119</u>	<u>\$12,087,781</u>	<u>\$ 393,421</u>
<u>Business-type Activities:</u>					
Long Term Airport Loan		<u>75,000</u>		<u>75,000</u>	<u>7,500</u>

Note 5. Short Term Debt

On April 11, 2003, the county entered into a six-month loan agreement with Monticello Banking Company in the amount of \$575,000 for operating expenses related to the Jail. The note was at a fixed rate of 4.125%. As of June 30, 2003, the principal balance outstanding was \$219,900. During the fiscal year ended June 30, 2004, the county repaid the principal outstanding balance plus \$5,187 in interest.

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Short Term Loan Agreement	\$ 219,900	\$	\$ 219,900	\$
Governmental Activities				
Short-term Liabilities	<u>\$ 219,900</u>	<u>\$ 0</u>	<u>\$ 219,900</u>	<u>\$ 0</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Capital Lease

On February 16, 2001, the Wayne County Fiscal Court entered into a lease with option to purchase agreement with the Commonwealth of Kentucky for the acquisition of the Hope Center formerly the Old Maintenance Site. Terms of the agreement stipulate a yearly principal payment of \$2,922 for a period of ten years ending on July 1, 2010. As of June 30, 2004, the principal balance remaining was \$17,529.

Fiscal Year Ended June 30	Scheduled Principal
2005	\$ 2,922
2006	2,922
2007	2,922
2008	2,922
2009	2,922
2010	<u>2,919</u>
Totals	<u>\$ 17,529</u>

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$5,187 in interest on a short-term note and \$591,898 in interest on bonds.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 9. Deferred Compensation

On February 24, 2000, the Wayne County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862.

Note 10. Insurance

For the fiscal year ended June 30, 2004, Wayne County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Subsequent Event

On August 12, 2004, the Wayne County Fiscal Court passed and adopted a resolution authorizing the county to enter into a joint venture with the City of Monticello for the purchase and improvement of a cable television system. Financing of the county's portion of the project is to be provided through a certain lease agreement between the Kentucky League of Cities Leasing Trust ("the Lessor") and the County ("the Lessee") at an aggregate principal amount not to exceed \$2,300,000. The agreement calls for monthly principal and interest payments over a period of 20 years beginning in December of 2004 and going through November of 2024. The annual debt service is estimated to average \$117,444 per year and is to be paid from the cable service fees collected.

Note 12. Prior Period Adjustments

The beginning fund balance of the Justice Center Project Fund includes an adjustment (decrease) of \$23,531 to reflect an account balance included as county funds in the prior year, which was not county money. The account was a cost basis of the interest earnings for a Deposit Agreement while it was held at Fifth Third Bank. In addition, the beginning balance of the General fund balance was adjusted by \$70 due to voided prior year outstanding checks.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 13. Changes In Accounting Principles

The county implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The beginning net asset balance for governmental activities was \$96,670 and the beginning fund balance was \$2,582,887 for a decrease of \$2,486,217. The beginning net asset balance of the business-type activities was \$979,544 and the beginning cash and cash equivalent balance was \$49,521 for an increase of \$930,023.

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WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,186,090	\$ 2,202,513	\$ 2,218,710	\$ 16,197
In Lieu Tax Payments	190,812	202,883	208,567	5,684
Excess Fees	98,041	170,820	170,822	2
Licenses and Permits	21,331	21,331	13,412	(7,919)
Intergovernmental Revenue	180,256	198,648	190,824	(7,824)
Charges for Services	1,100	211,345	154,430	(56,915)
Miscellaneous	90,315	92,638	69,030	(23,608)
Interest	1,000	1,665	1,853	188
Total Revenues	<u>2,768,945</u>	<u>3,101,843</u>	<u>3,027,648</u>	<u>(74,195)</u>
EXPENDITURES				
General Government	642,419	739,032	683,858	55,174
Protection to Persons and Property	249,070	962,952	1,031,959	(69,007)
General Health and Sanitation	199,077	217,195	182,243	34,952
Social Services	39,428	43,985	42,231	1,754
Recreation and Culture	35,350	51,350	50,948	402
Airports	10,900	4,400	4,288	112
Capital Projects	2,922	2,922	2,922	
Administration	571,125	670,759	531,340	139,419
Total Expenditures	<u>1,750,291</u>	<u>2,692,595</u>	<u>2,529,789</u>	<u>162,806</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,018,654</u>	<u>409,248</u>	<u>497,859</u>	<u>88,611</u>
OTHER FINANCING SOURCES (USES)				
Governmental Leasing Act Receipts		163,000	313,900	150,900
Transfers from Other Funds	58,092			
Transfers to Other Funds	(1,080,905)	(736,166)	(632,873)	103,293
Total Other Financing Sources (Uses)	<u>(1,022,813)</u>	<u>(573,166)</u>	<u>(318,973)</u>	<u>254,193</u>
Net Changes in Fund Balances	(4,159)	(163,918)	178,886	342,804
Fund Balances - Beginning	<u>4,159</u>	<u>163,918</u>	<u>163,919</u>	<u>1</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 342,805</u>	<u>\$ 342,805</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 626	\$ 626	\$ 650	\$ 24
Intergovernmental Revenue	1,171,677	1,295,102	1,151,930	(143,172)
Miscellaneous	100	100	45	(55)
Interest	4,500	4,574	3,783	(791)
Total Revenues	1,176,903	1,300,402	1,156,408	(143,994)
EXPENDITURES				
Protection to Persons and Property		2,398	2,397	1
Transportation Facilities and Services	43,928	33,748	33,484	264
Roads	1,071,333	1,221,010	1,042,631	178,379
Administration	101,642	93,646	90,340	3,306
Total Expenditures	1,216,903	1,350,802	1,168,852	181,950
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(40,000)	(50,400)	(12,444)	37,956
OTHER FINANCING SOURCES (USES)				
Transfers in from Other Funds	40,000	40,000	40,000	
Total Other Financing Sources (Uses)	40,000	40,000	40,000	
Net Changes in Fund Balances		(10,400)	27,556	37,956
Fund Balances - Beginning		10,400	10,401	1
Fund Balances - Ending	\$ 0	\$ 0	\$ 37,957	\$ 37,957

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 480,038	\$ 1,011,936	\$ 1,053,095	\$ 41,159
Charges for Services	33,816	45,295	46,244	949
Miscellaneous	26,900	41,289	41,587	298
Interest	500	500	531	31
Total Revenues	541,254	1,099,020	1,141,457	42,437
EXPENDITURES				
Protection to Persons and Property	744,494	923,273	862,450	60,823
Debt Service	640,765	257,930	225,088	32,842
Administration	134,081	270,111	125,275	144,836
Total Expenditures	1,519,340	1,451,314	1,212,813	238,501
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(978,086)	(352,294)	(71,356)	280,938
OTHER FINANCING SOURCES (USES)				
Transfers Out to Other Funds	(58,092)	(346,311)	(346,311)	
Transfers from Other Funds	1,036,178	673,939	574,303	(99,636)
Total Other Financing Sources (Uses)	978,086	327,628	227,992	(99,636)
Net Changes in Fund Balances		(24,666)	156,636	181,302
Fund Balances - Beginning		24,666	24,667	1
Fund Balances - Ending	\$ 0	\$ 0	\$ 181,303	\$ 181,303

WAYNE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the Kentucky Governor's Office for Local Development. Formal budgets are not adopted for the Public Properties Corporation Justice Center Project Fund, Public Properties Corporation Detention Facility Project Fund, Airport Board Fund, and the Jail Canteen Fund.

The Kentucky Governor's Office for Local Development does not require the Public Properties Justice Center Project Fund and Detention Facility Project Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The Kentucky Governor's Office for Local Development does not require the Airport Board Fund and the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Kentucky Governor's Office for Local Development. Expenditures may not exceed budgeted appropriations at the activity level.

**WAYNE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

WAYNE COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Local Government Economic Assistance Fund	Homeland Security Fund	Emergency Management Fund	Timberland Tax Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 8,250	\$ 42,562	\$ 4,392	\$ 9,106	\$ 64,310
Total Assets	<u>\$ 8,250</u>	<u>\$ 42,562</u>	<u>\$ 4,392</u>	<u>\$ 9,106</u>	<u>\$ 64,310</u>
FUND BALANCES					
Unreserved	\$ 8,250	\$ 42,562	\$ 4,392	\$ 9,106	\$ 64,310
Total Fund Balances	<u>\$ 8,250</u>	<u>\$ 42,562</u>	<u>\$ 4,392</u>	<u>\$ 9,106</u>	<u>\$ 64,310</u>

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

For The Year Ended June 30, 2004

WAYNE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Local Government Economic Assistance Fund	Homeland Security Fund	Emergency Management Fund	Timberland Tax Fund	Total Non-Major Governmental Funds
REVENUES					
Taxes	\$	\$	\$	\$ 4,928	\$ 4,928
Intergovernmental	27,331	60,000	2,015		89,346
Miscellaneous			9,872		9,872
Interest	32			33	65
Total Revenues	<u>27,363</u>	<u>60,000</u>	<u>11,887</u>	<u>4,961</u>	<u>104,211</u>
EXPENDITURES					
General Government	21,234				21,234
Protection to Persons and Property		17,438	16,842	3,866	38,146
Administration	3,061		635		3,696
Total Expenditures	<u>24,295</u>	<u>17,438</u>	<u>17,477</u>	<u>3,866</u>	<u>63,076</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,068</u>	<u>42,562</u>	<u>(5,590)</u>	<u>1,095</u>	<u>41,135</u>
OTHER FINANCING SOURCES (USES)					
Transfers to Other Funds					
Transfers from Other Funds	5,000		9,727		14,727
Total Other Financing Sources (Uses)	<u>5,000</u>		<u>9,727</u>		<u>14,727</u>
Net Change in Fund Balances	8,068	42,562	4,137	1,095	55,862
Fund Balances - Beginning	182		255	8,011	8,448
Fund Balances - Ending	<u>\$ 8,250</u>	<u>\$ 42,562</u>	<u>\$ 4,392</u>	<u>\$ 9,106</u>	<u>\$ 64,310</u>

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Fiscal Year Ended June 30, 2004

**WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Fiscal Year Ended June 30, 2004

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits At All Times

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county does not have sufficient pledges or collateral agreement with one of the two banks, leaving \$95,455 of public funds uninsured and unsecured on June 30, 2004. We recommend the county require the depository institution to pledge sufficient collateral along with agreement to protect deposits at all times.

County Judge/Executive Bruce Ramsey's Response: Treasurer will review with bank.

REPORTABLE CONDITIONS

The Wayne County Airport Board Should Strengthen Internal Controls

We have determined that the Wayne County Airport Board has weak internal controls. Due to the entity's small size and budget restrictions the Airport Board has limited options for establishing an adequate segregation of duties. To offset this weakness in internal controls, the Wayne County Airport Board could implement the following controls, which were recommended in the prior year exit conference.

- All disbursements should be made by check with two authorized signatures
- All disbursements should be approved by the board
- Should utilize the bidding process for contracted fuel purchases

County Judge/Executive Bruce Ramsey's Response: A copy of this exit will be given to Airport Board

PRIOR YEAR FINDINGS

In the prior year, we reported that the county should require depository institutions to pledge or provide sufficient collateral to protect deposits at all times. We also reported that the Wayne County Airport Board should strengthen internal controls. These findings have not been corrected and are commented on again in the current year.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Bruce Ramsey, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 20, 2005. Wayne County prepares its financial statements in accordance with the modified basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wayne County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of comments and recommendations.

- The Wayne County Airport Board Should Strengthen Internal Controls

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition listed above to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Wayne County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits At All Times

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 20, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

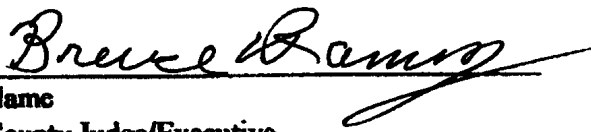
WAYNE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

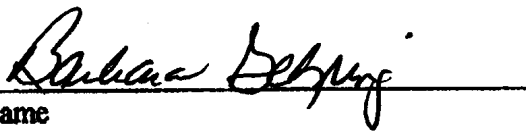
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS
WAYNE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Wayne County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer